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NATIONAL REVIEW

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It was a week of insolent symbols, affronting the pride and denying the purpose of the West. In Europe (see below), while grim and terrorized men continued to risk their lives to come West, a young megalomaniac voluptuary turned his back on England in her hour of need. In New York (see below), while Berlin, scrum-line between East and West, seethed in a historic state of tension, the United Nations General Assembly debated whether or not General de Gaulle had the right to come to the rescue of his own men when fired on, and protect a little seaport on the North African coast to which by treaty the French are entitled, against the robed nationalism of Tunisian Arabs. And in Brasilia, his foreign minister freshly returned from Punta del Este where he received promises of a flow of American wealth over the next twenty years, greater than all the gold that over two centuries a bleeding continent yielded to the colonial exploiters of Portugal and Spain, President Janio Quadros decorated Che Guevara, maximum Cuban Communist, with Brazil's highest award. The award, ironically, was of religious origin. The next day Che Guevara flew back to Cuba, perhaps to sign the death warrant of the thirty Catholic students in Havana who are scheduled to be executed for practicing their faith, and demanding freedom.

It is a mad world, and sorely perplexed. What, for instance, is the correct response of the United States Government to this profanation by Quadros of the whole *meaning* of alliance? Whatever is correct for our Government to do, in fact (as ever) it has done—nothing. It is prisoner of its own premise, which is that we must not Interfere, or World Opinion will get us. Quadros, by contrast, is a doer: and he knew exactly the meaning of *his* deed: See—he told his people—I can get billions from the United States and insult it *and* the Church, while I am about it. Watch me now. I'll get more billions—and more respect. For the Colossus of the North, be it known, is *afraid* of Brazil. Long live Brazil! Long live Independence! Long live Quadros! (Cheers.)

Bedlam. It is bedlam that will issue from the moral paralysis of America. Nothing less.

The WEEK

● Planet Mercury now joins the group from which earthbound observers have received distinct and unmistakable signals: Venus, Mars, Jupiter, Saturn. As yet undetected or still garbled: Uranus, Neptune, Pluto, and the White House.

● The Administration's bill for federal aid to local schools has, for the moment, sunk—for which we have substantially to thank the Catholic hierarchy. But not, as one had hoped, under the weight of its demerits: for it was not only a towering expense to meet a "need" that has been proven to be largely mythical, but also a major step toward that necessary engine of a centralized bureaucratic state, a centralized school system. No; it was not on the merits that the discussion rested, but on logically tangential but politically potent issues such as the treatment of parochial schools; segregation; financing. The monster has been stunned but not killed; he will rise up to assault the next session of Congress, which, meanwhile, is preparing a place for him by extending federal aid to schools in "impacted areas" and arranging loans for private facilities. Said Senator Hubert Humphrey, "If we can pass an anemic, dried-out package this year, we can do as well or better next year." Aye, quite so, Senator: and to cure the federal anemia, whence comes the blood?

● U.S. exports are declining. Imports are rising. Accordingly, our surplus in commercial trade is dwindling. In recent years we have not had enough trade surplus to cover the over-all deficit in our international payments arising largely from foreign aid and overseas military spending. These two items are now also on the rise. With measurable results: the payments deficit has risen from $288 million in the first quarter of this year to $450 million in the second quarter. So far this year the payments problem has been eased and concealed by our allies' obliging prepayment of some of their debts to us: West Germany came through with $590 million, Netherlands $40 million, the Philippines $20 million. But our allies will not ruin their finances to cover our debts forever, and

no more prepayments are visible this year. Meanwhile, the pressures mount: fewer exports as the overseas business boom cools down; higher imports as our costs (spurred by Kennedy inflation and labor monopoly) climb above foreign production costs; greater spending, as mentioned, on overseas troops and foreign aid; and, long-term, a declining market for our goods at our prices, as the European Common Market gains strength and sanity.

● UN's Operation Congo is moving rapidly toward its chosen political target: a centralized Congolese government in the classic united front style—*i.e.*, a combine of Communists and non-Communists, with the political initiative and administrative leverage in the hands of the Communists. Cyrille Adoula, selected as Premier by the UN-supervised parliament meeting, has made his deal with Antoine Gizenga, the Communist-backed and Soviet-supported heir of Patrice Lumumba, and boss of Oriental Province. Gizenga is liquidating his Stanleyville regime. The Soviet, Red Chinese and East European representatives who had holed up there will shift back to Léopoldville. Gizenga will enter the central government as Deputy Premier. Already two of his men hold the portfolios always sought by the Communists in a united front government: Justice and Interior (police and security forces). Adoula and Gizenga have sworn to bring Moise Tshombe and Katanga under Léopoldville's rule—"by force if necessary" (to which the UN commander publicly promised no obstacle). In a press conference, Adoula pledged "a continuation of the policies of the late Premier Patrice Lumumba." We hope all Americans like the setup. We should. We paid for it.

Emmwood, *London Daily Mail*

The Eurocrat

● Jomo Kenyatta, organizer of the Mau Mau, was released from remaining restrictions last week and installed in a house built for him at British expense in a suburb of Kenya's capital city of Nairobi From this headquarters he will resume leadership of the struggle to destroy the Kenyan whites and blacks who disagree with him. Arson, stonings and roadblocks spread throughout Northern Rhodesia, with several dozen lives lost, as Kenneth Kaunda, the nationalist leader, publicly burned his identity card as symbol that his campaign of civil disobedience had begun. In neighboring Nyasaland, Dr. Hastings Banda, with a big election victory under his belt, announced that he would use any means to break Nyasaland out of its federation with the two Rhodesias. In Southern Rhodesia, both whites and blacks tightened their ranks as native orators and witch doctors stirred up mass resentments. Many signs suggest that the crisis in British East and Central Africa is about to erupt.

● Soapy ("Africa for the Africans") Williams took a turn at the historic jungle drums in the Livingston museum in Northern Rhodesia last week. The decent thing would have been to leave African music to the Africans too.

At the Ramparts We Fall

Will it seem, looking back a few months from now, that the climax of the Berlin crisis was reached during the third week of August? That from then on it was a slide downhill? That's the way that hindsight may quite possibly read the course of events.

Some while ago, Khrushchev unilaterally threatened the postwar Berlin settlement. The Berlin crisis consisted simply in this: if Khrushchev acted to carry out his threat, would the West take counteraction? And if so, would the action-counteraction lead on to war?

In the night of August 13/14, Khrushchev did act. His action was outlandish. As so often with Khrushchev's words and conduct, it exhibited a kind of peasant fantasy raised to an *n*th totalitarian power: if your cattle are slipping over to your hated neighbor's field, just build a long ugly wall to contain them. But no matter how fantastic, the action was major, and decisive in political substance. Khrushchev was tearing up the four-power agreements defining the status of Berlin—both East and West—just as Wilhelm II tore up the Belgian neutrality treaty when his troops crossed the Belgian border in another August. Khrushchev was simultaneously transforming East Germany into a sovereign state, so that the peace treaty promised for later this year becomes a mere formality. The East German regime at once expressed the new relations by declaring that Berlin was to be its capital, and by enforcing, at the sector boundary, controls that are impermissible under the postwar agreements.

By doing nothing, the West accepted the political meaning as well as the physical consequences of the Khrushchev-Ulbricht actions. The West could have rejected them only by refusing—literally, physically, refusing—to respect the boundary barricade and controls.

The closing of the sector boundary and its political implications having thus been accepted, the climax is already over. Since the West failed to counter this first and crucial Communist move, how can there be sufficient motive for countering the politically less significant moves that will follow? And in any case Berlin, without the open boundary, is not of much importance—except to Berliners, but these are as expendable as the millions who have been expended before them. It has been the direct confrontation of East and West at and through Berlin that gave the city its transcendent importance. This gone, Khrushchev can let Berlin wither on the enfeebled Western vine.

All things are, of course, possible unto the very last moment. Even without direct action in Berlin itself, a myriad moves are available to the West. In a speech to the Senate, Thomas J. Dodd has called for some of the relevant preliminary steps: a massive "Truth Airlift" of journalists from all over the world to Berlin (an ingenious idea); an immediate Western embargo on shipments of machine tools and chemical equipment to the Soviet sphere; a Western initiative to compel the UN to discuss the East German conditions that led to mass defection; resumption of nuclear tests. . . .

It is not hard to see some of the things that *might* be done. There is no reason, on the record, to suppose that any of them will be done.

East River Pest House

Last week's special session of the UN General Assembly on the Bizerte affair produced one significant item: a news photo of the ten fourth-row seats assigned to the French delegation; as empty as the day they left the factory. It is gratifying that there is still one nation capable of an occasional gesture of dignity and scorn. Would that France might transform last week's gesture into a completed act, and leave those seats in a permanent, exemplary vacancy that might breed a spreading epidemic of emptiness in that hollow hall!

For a while, it was possible to believe that the UN, if it couldn't achieve anything good or useful, at least didn't do much harm. With the rise of the Assembly to precedence over the small, relatively responsible and veto-protected Security Council, and the Assembly's growth into a monstrous mass meeting of demagogues, tribal chiefs, diplomatic con men, professional revolutionaries, jailbirds, half-literate babies, nephews happy to latch on to a gravy train, and stuffed-shirted lame-duck elder statesmen, that small and doubtful comfort is now denied us. The UN, born a fraud, has matured into a mischievous fraud. Under the pious pretense of "maintaining peace," "reducing tensions," and "keeping the Cold War out of Sauk Center," the UN is serving to disrupt peace, inflame tensions, and expand the Cold War.

For immediate witness, *cf.* the preposterous Assembly session on Bizerte. No one in his right mind could sup-

PEOPLE: CIA jogged British to take action to forestall victory of pro-Communist Dr. **Cheddi Jagan** in last week's British Guiana election, but HM's government, figuring Jagan would win anyway, demurred. Jagan's current pin-up boy is **Fidel** (it used to be **Nikita**). . . . It's now confirmed, **Jacques Soustelle,** formerly Gen. **de Gaulle's** chief supporter, now his leading civilian opponent, fled France right after the Generals' Revolt to avoid arrest. Soustelle charges de Gaulle has assumed dictatorial powers; hints that the Algerian situation can be salvaged by what he calls the "camp of Liberty.". . . . Much rumored shakeup of French cabinet now probably scheduled for early fall, with Finance Minister **Baumgartner** foremost among liquidees. . . . Checkmated: Italian petroleum czar, neutralist, socialist **Enrico Mattei.** When Foreign Minister **Segni** heard Mattei had been negotiating with Iraqi premier **Kassem** on processing of Iraq oil, should Kassem decide to expropriate, he hit ceiling, demanded that Mattei be informed foreign policy was not his for the making.

Of congressmen signing a resolution opposing admission of Communist China to the United Nations (292), only 102 voted in favor of **John Bell Williams'** (D., Miss.) amendment to foreign aid bill which would prohibit U.S. aid to any country which voted in UN to admit Red China. . . . Reps. **Pelly** (R., Wash.) and **McMathias** (R., Md.) demanding that Commerce Dept. release names of all U.S. firms which apply for licenses to export surplus farm goods to Soviet bloc nations. . . . Sen. **Dodd** wants to know just what **Owen Lattimore** has been doing in Outer Mongolia; says he finds it hard to believe that Lattimore's visit to O-M at time that State Department was considering recognition of Mongolia was "coincidental.". . . Yeoman work by Sen. **Thurmond** has put Sen. **Fulbright** on defensive in matter of muzzling army officers who devote off-duty time to anti-Communism. Should be anti-anti-Communism, Fulbright in effect contends. . . . Fulbright's stand on this, his suggestions that we reach an accommodation with Soviets on Berlin, say his home-state foes, will make good campaign issues when **Dale Alford** or **Orval Faubus** takes on Fulbright next year. . . . Sen. **John Marshall Butler** (R., Md.) will not, according to some reports, run again next year.

Informed gossip along Publisher's Row has **Philip Graham** of *Washington Post* and *Newsweek* casting covetous eyes on the *Reporter.*

pose that a mass sounding off with maximum world publicity could be a suitable and sensible way to help *settle* a difficult, delicate diplomatic problem such as obtains between France and Tunisia on the Bizerte base issue. And no one did suppose so. The session took place not to settle anything, but because irresponsible demagogues of "the Afro-Asian bloc"—most of them representing nothing of any seriousness in the world polity—saw a chance to stick needles into their "imperialism" fetish, and because the Communist UN operators, as always, welcomed a free platform for a polwar blast. The performance was, at least, mitigated by some sound words from Adlai Stevenson.

If any doubts are left about the absurdity of the UN's parliamentary and legislative pretensions, one arresting fact should surely dispel them: the "question of Berlin" has not been so much as whispered at a UN meeting, Council, Assembly, or Subcommission.

A Man and a Boy

Last week a man of sixty and a boy of thirty crossed the border between East and West. But they were traveling in opposite directions. Each, according to his light, issued a statement.

The boy, John Osborne, a British playwright, made his statement in the Left-wing weekly, the *Tribune: This is a letter of hate. It is for you, my countrymen. I mean those men of my country who have defiled it. The men with manic fingers leading the sightless, feeble, betrayed body of my country to its death. You are its murderers and there's little left in my own brain but the thoughts of murder for you. . . . You have instructed me in my hatred for thirty years. You have perfected it, and made it the blunt, obsolete instrument it is now. I only hope it will keep me going. I think it will. I think it may sustain me in the last few months. Till then, damn you, England. You're rotting now, and quite soon, you'll disappear.*

The man said: *My name is Klochko, Mikhail Antonovich. I was born in the region of Poltava in the Ukraine in 1902, and I have lived in Russia all my life. . . . I decided to leave the USSR five years ago. It became impossible for me to bring to realization the scientific projects on which I was working. This was due to many factors. I was depressed by the lack of contact with the outside world, the falsity of information, and the difficulty of self-expression. It became obvious to me that if I stayed in the USSR I would not be able to give to mankind all that I could if I were in a free, democratic country. I now am an old man and I am afraid of nothing, and I do not want my life work to be wasted. I feel that it will not be wasted here and I know that it would have been wasted in the USSR. Nobody tempted me here. I was not tempted by any material considerations, but was forced to take this action to seek freedom of scientific expression and to save what*

• At Home •

Madison, Wisc.

Student delegates, resentful over the continued political high-mindedness of the leaders of the National Student Association, charged into Madison for the NSA's 14th Annual Congress, demanding satisfaction. The conservatives don't have anything like the numerical strength to unseat City Hall, but they seem to be strong enough to prevent discussion of anything other than their grievances, and young men are growing old working, round-the-clock, to devise means of containing the 50-odd delegates (out of 500) who are as determined to publicize the need for reform as ever Carry Nation was to publicize the evils of the saloon.

As it now stands, the NSA tends to speak out with total abandon on political and other matters only dimly related to the corporate interests of U.S. students. Last summer, for instance, the NSA's executive committee issued a statement which had the effect of committing the student body of America on the side of the united front of Communists, pacifists, fanatics, and nuts who demonstrated successfully in Tokyo against a visit by President Eisenhower. Indignation seethed. "If I belong to a dental association," one student put it, "I don't want it issuing statements on whether Tebaldi or Callas is a better soprano." In self-defense, the leadership of NSA has attempted bravely to thread a line between each of its pronouncements, and the irreducible requirements of a safe and prosperous American student body. The logical elongations involved are a credit to academic ingenuity.

But the bustling conservative movement at Madison, led by Young Americans for Freedom and the Intercollegiate Society of Individualists, is making progress in collapsing the pretensions of NSA as a deliberative body seriously engaged in collecting a student political consensus. What it is primarily, the student conservatives were making plain, is an association dominated by political Liberals given to ideological concupiscence, and quite prepared to deliver over American student opinion to the cause of any savage demanding self-rule, or any statist seeking to enlarge the responsibilities of the Federal Government. The Liberals have hold of the parliamentary machinery of the NSA, as visitor William Buckley stressed at an overflow meeting, "and operate their organization as a National Student Association for the advancement of the ideals of the Americans for Democratic Action."

After Buckley spoke, a Negro student, one Jenkins, a high official in NSA, denounced conservatism as a front for "colonialism, slave-owning, and fascism." The Young Americans for Freedom demanded a vote of censure against the overwrought Jenkins, but, after seven hours of

deliberation, the Congress turned the motion down on a technicality. YAF shot back: "Conservatives throughout the nation promptly disavowed Robert Welch's views on Eisenhower when they were publicized last spring. Apparently the student Liberals in the NSA are not prepared to disavow their own Robert Welches, who impugn the motive of those who disagree with them." Visibly disconcerted, the NSA leadership gratefully turned its attention to a denunciation of Buckley being circularized by four foreign students, dismayed at Buckley's having referred to the Congolese troublemakers as "semi-savages."

". . . We give vent," said the foreign students, "to our feelings of profound shock and indignation in the hope that the American students assembled at the 14th Annual Student Congress, will give proper answers to (this) expression of arrogance and prejudice, of colonialist and racist mentality, and thereby proclaim their solidarity with the freedom-loving people everywhere."

Asked to comment, Buckley wired: ". . . people can be savages irrespective of race, color, or creed . . . the foreign students at Madison can be no more shocked at my calling the Congolese insurrectionists 'semi-savages' than I was shocked upon learning last summer that some of said Congolese had taken to eating members of the opposition. . . ." And then, infuriating World Opinion at Madison almost to the breaking point. . . . "Perhaps the looseness with which these students handle the word freedom is the result of their own inexperience with it. Or perhaps they are merely sharpening up on how to deal with dissenters, so as, upon returning to their native lands, to feel instantly at home."

The students, whose creed (like that of so many of their elders) calls for agreeing with all foreign students from underdeveloped countries on all issues at all times, howled, and the fight goes on: but, for probably the first time in NSA history, with a conservative on one side of every issue. When time came for the ritual denunciation of the House Committee on Un-American Activities, it was not a monologue but—a debate, with Fulton Lewis III ably defending the Committee. M. Stanton Evans, editor of the *Indianapolis News*, had spoken with great effect. A protest against the projected execution of Cuban Catholic students originated with the conservatives.

When the two-week session ends, the conservatives will walk away with not much more than 10 per cent of the vote. But it is unlikely NSA will ever again be the same serene House of Lords of student Liberalism, calmly ratifying every left resolution that comes its way. And the conservatives have learned how much a very few can do if they sink their teeth into a good issue, and hang on for dear life, which is what, at another level, they believe, quite correctly, the fight is all about.

QUINCY

is left of my human self-respect. . . . It is the lack of human dignity in the USSR that hurts most. I am not after fame or glory. I seek neither. I just want to serve mankind. I assure you that these are my full and real reasons, and this is my firm and final decision.

In these few words of the man and of the boy, the history of our century stands revealed. On the one side, barbed wire and hatred. On the other, at its best, the serenity that truth and liberty bring.

BRIEFS: Formal shift: Habib Bourguiba, officially pro-Western until Bizerte blowout, has asked for invitation to uncommitted nations whingding in Belgrade, Sept. 1, has received it and will attend. . . . Red Chinese now beaming propaganda radio programs into Yugoslavia twice daily in Serbo-Croatian. . . . Communist Laos negotiators turned down proposal that prisoners be allowed free choice of destination upon leaving Laos. (Reason: they don't officially admit North Vietnamese have been fighting in Laos; aren't sure they'll return north of the border if released.). . . **British and Greeks worried over spread of Communist influence in Cyprus: They now control the unions and municipal governments of four of the six principal towns. . . .** Castro instituting meat rationing by rotation. Each family registers with local butcher and gets ½ lb. of meat in turn. How often the turn comes around depends on how big a supply the butcher has. . . . New weekly magazine *Topic*, scheduled for October 18 publication in London, will be edited by Randolph Churchill, son of Sir Winston.

Spearhead for renewed Communist Party offensive against McCarran and Smith Acts is Citizens Committee for Constitutional Liberties. . . . Mayors of 41 Los Angeles County towns proclaiming August 28-Sept. 3 Anti-Communism Week, to coincide with anti-Communist seminar there. . . . Medical Society of New Jersey has tagged Administration's compulsory health plan the "soak the poor" bill. . . . **Three congressmen, who are also doctors (Alford, Ark., Hall, Mo., and Durward, Ore.) claim the Kennedy medicare plan will lower the quality of medicine in this country.** . . . New York Young Republicans last week voted for stopping all trade with Communist bloc, directly or through other nations, as one means of combatting Red moves in Berlin. Also ordered resumption of nuclear tests.

Giving candy back to the children: Bureaucrats at work: The Food and Drug Administration, charging the product is short weight, has obtained court order halting the interstate shipment of—Tootsie Rolls.

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• Trends •

Struck a jarring blow on foreign aid by a rebellious House, the Administration is forewarned of the bitter brawl facing it next year when an underlying source of Capitol Hill discontent—long-time liberal U.S. trade policy—is thrown open for debate.

Yet even as protectionist fever rises in Congress and among businessmen and labor leaders, White House aides talk of seeking the most sweeping Presidential tariff-cutting powers in history. They explain privately that nothing less than such across-the-board authority will enable the Administration to bargain for a secure place in Western Europe's fast-changing trade picture.

But the arguments of the free-traders, now being marshaled by an array of task forces and study groups, aren't likely to dent the determination of many law-makers to look after the home folks who are jobless or working half-time. Much accumulated frustration over years of massive U.S. aid-giving and trade hospitality is directed toward working radical, restrictionist changes in the Trade Agreements Act, which expires June 30, 1962.

The Act, passed in 1934 and renewed ever since at four-year intervals, transferred the power to regulate tariffs, within specific limits, from Congress to the President, and authorized him to negotiate with other countries for reciprocal reductions. Since 1947, the U.S. has also sought reciprocal tariff-cutting through negotiations with the other 37 members of the General Agreement on Tariffs and Trade (GATT)—a venture which Congress has never specifically approved.

In return for granting the President wider margins within which to dicker for tariff cuts, industries affected by them have won the opportunity to appeal for special relief under the Act's "escape clause" and "peril point" provisions. But these hedges against Presidential authority have only made a tangled thicket of conflicting trade legislation.

Some of the proposed remedies promise to worsen the snarl. Because, in two and a half years, only two of 28 petitioners have won escape-clause relief from the Tariff Commission, Senator Bridges and several colleagues are trying to legislate a more sympathetic administration of the Act. Essentially, their bill would widen the "escape" hatch and tie the President's hands by making the Commission's recommendations for relief binding on him. With the Administration pulling in precisely the opposite direction from these legislators, it's easy to picture the battle ahead.

What isn't clear, at least to politicians reading letters from home, is the true nature of the U.S. trade problem. The decline from pre-eminence is sharp enough. Back in 1950, the U.S. exported $3.63 worth of finished manufactures for every dollar of manufactured imports. In 1960, the ratio stood at $1.99 to $1. In the case of consumer goods (other than foodstuffs), U.S. exports ran at least 30% ahead of imports from 1950 to 1954; since 1957, imports have been considerably ahead, to the point where last year the U.S. exported only 54 cents worth of consumer goods for every dollar of imports. Even in capital goods, our mantle is slipping. Our exports per dollar of imports were $26.26 in 1950; today, exports are much less than half that.

So the complaint that the world (the "loin-cloth economy," in Senator Mundt's phrase) is selling too much on these shores can—and should—be turned around: the U.S. is not selling nearly enough to the rest of the world. Moreover, the declining strength of U.S. exports, even though the over-all trade balance remains favorable, inevitably weakens the dollar. With U.S. aid and military commitments overseas growing sharply, only brisker export trade promises to stave off a dangerous balance of payments crisis. It the government won't spend less, then business and industry must earn more.

There's the rub. What we're up against abroad are the virtues to match our vices. West Germany booms because it has kept inflation rigorously under control; the U.S. has not. Instead, U.S. wages have risen much faster than increasing productivity warranted. Between 1953 and 1959, the export prices of our manufactured goods rose an average of about 16%, while the prices of our competitors overseas were falling that much or more. In the steel industry, for example, U.S. exports exceeded imports by an average of 4 million tons a year between 1946 and 1950. Today, after years of riding the wage-price spiral, the steel industry is lucky if it can match the level of foreign imports.

To urge everyone to work harder and sell harder, to encourage growth industries and let dying ones die, to see the sure reprisals a U.S. retreat into protectionism would bring—all this, of course, doesn't answer the political questions raised by high-level unemployment due, in part, to high-level imports. The Administration's response, not surprisingly, is to offer ailing industries and jobless workers federal aid. Such a provision was written into an early draft of the "distressed areas" bill, but was dropped for use as a sweetner in the fight for new tariff-cutting authority. The key word next year will be "rehabilitation."

Patching and mending, however, won't repair the damage done to our competitive position during the years when domestic demand was sky-high, and when we could sell the world anything, at almost any price. Some allies, notably the Japanese, are willing to ease up, at least for the time, and voluntarily trim exports to the U.S. The Common Market countries, too, are so prosperous they've been considerate about extending internal tariff cuts to our products.

But the world we helped build and with which we trade has definitely turned toward freer trade. And the U.S. must choose whether to steer that course, or wallow in the backwater.

RICHARD WHALEN

• Abroad •

Moscow. To military observers, the recall of 64-year-old Marshal Ivan Stepanovitch Konev from retirement to replace Colonel General Ivan Yukubovski as Soviet Supreme Commander in East Germany signifies that Khrushchev: a) is preparing to fight a conventional war, if it comes to fighting, over Berlin; b) considers absolute political reliability as essential as military talent in dealing with East Germany. Konev joined the Revolution at its outset, and commanded one of the famous armored trains in the Far East. In World War II, he led the first successful counterattack (at Kalinin, late in 1941), was subsequently commander in the Ukraine, and (in 1944) of the central front—where he met the U. S. armies on the Elbe. His military specialty is taking cities by cutting the approaches, usually through swift, oblique movements that achieve tactical surprise: as, in WWII, Znamensky, Pyatikhatka and Kirovgrad. Politically he has been one of Khrushchev's closest collaborators. He presided at the 1953 trial which condemned Beria to death, and directed the purge of Zhukov in 1957. Although of peasant origin, Konev learned both German and English, and has a notable library of books on military history. His hard jaws, shaven head and cold temperament have given him the nickname of "the tank," but he has always had close relations with his men—whom he calls "brothers," not "comrades."

London. As part of the Communist plan to internationalize the campaign against HUAC, 27 well-known Englishmen were induced to send a letter, two weeks ago, to Pres. Kennedy, calling on him to release Carl Braden and Frank Wilkinson from jail. Seven members of Parliament, writers C. Day Lewis and Compton Mackenzie, Prof. Ayer and Lord Faringdon were among those who signed the following comment on a pair of professional Communist agents: "Surely these men, like many others who have suffered similar persecution, are not acting in their own narrow interests, but are striving for all their fellow-Americans, to regain that . . . liberty which was theirs?"

Accra. Kwame Nkrumah was in Moscow last week, resting up from his friendship tour to Communist China, and his six weeks of intimate negotiations in other regions of the Communist sphere. His presence at home did not prove necessary to complete the formalities of the new $45 million contract under which an Italian consortium will construct the first phase—370 foot dam, intake channels and powerhouse—of the great Volta hydroelectric project. It is not Italy, however, but a combine of the World Bank, the United States and Britain, that has advanced an initial hard currency credit of $100 million toward the project's cost.

Lüneberg, West Germany. The highly-trained men of Lt. Col. Karl Wilhelm von Kleist's crack 84th Tank Battalion, who from Sept. 9-30 will conduct training exercises in Wales, are being meticulously briefed on possible problems of this venture that both the German and the British commands know to be so critical for NATO's future. Will a British public be able to accept a revived "German militarism" when they see black-crossed panzers rolling over Welsh fields? A combine of ban-the-bombers, Communists and anti-Germans has been protesting the planned maneuvers ever since they were announced. The preventive indoctrination of the troops includes a rundown of Welsh customs and British rules of the road, a warning not to grimace when mint sauce is served with roast lamb, and a reminder to stand at attention when a band plays an old German hymn tune to which Britishers sing, "God save our gracious Queen . . ."

Emmwood, *London Daily Mail*

". . . and I just want to make sure you're here to enjoy it."

Montreal. All Canadian observers agree with the *Montreal Star's* conclusion that with the founding of the New Democratic Party this month, "a new and powerful force has been developed on the left wing of Canadian politics." The NDP fuses the openly radical and socialist Cooperative Commonwealth Federation with the Canadian Labor Congress. The somewhat sobering influence of the labor bosses toned down the anti-NATO, pro-neutralist enthusiasm of the CCF, but CCF's T. C. Douglas, who as premier of Saskatchewan heads the only avowedly socialist government in North America, was named leader of the new party by acclamation. Douglas is a formidably popular figure. According to a rival, "Tommy Douglas doesn't have to kiss babies: they kiss him."

London. The *Times* recently carried the following ad: "Governess-housekeeper wanted for serene and happy household. You may as well know that we are Spiritualists and Occultists, Buddhist and Christian, and we want our children to be taught the Truth. Mother is a medium, Father a healer. We will sound insane to most who read this advertisement. We want the person to whom we sound refreshingly sane. Excellent salary. Please write in longhand (we are also graphologists)."

• The Investor •

This Administration's policy to make acceleration of growth the primary goal of its economic plan together with vast foreign aid spending programs is potentially aggravating to existing inflationary pressures.

The investor must give this very real consideration, particularly in view of the decreasing purchasing power of the dollar. The increasing demand for equity securities reflects in a major way the investor's desire to obtain protection against this inflationary trend.

In the search for equity securities one of the most important factors to consider is corporation management. We are living in a period of world-wide change that can deeply affect the fortunes of individual industries and companies. These changes come fast and their effects are not always easy to interpret. In many cases the managements of older well-known corporations have not been able to move fast enough to take advantage of fresh opportunities and it is in these areas that new companies with young aggressive managements have been able to take advantage of the changing direction of an industry. Analytical tests however, indicate that the stocks of the majority of these "growth" companies appear historically rather highly priced.

Aggressive management, however, is not limited to this group of companies. Many an old well-run company has dropped behind the times; management has lost its drive; the stock has slowly drifted down in price until it sells for not much more than current asset value. Into these situations new management has often taken hold (via substantial stock interest). What these new managements can accomplish in terms of earnings improvement and price appreciation offers as much or more potential capital gain to the investor, as would any investment in the so-called glamor stocks.

Perhaps a classic example of such a situation is Crown Cork & Seal. In 1951, sales for the company reached a new peak of $106 million and net income $3.61 million or $2.54 per common share. The stock sold as high as $22 per share. Over the next few years, sales slowly increased to $115 million in 1956, but net income dropped to $381,000.00 or a deficit of 14¢ per common share, and the stock sold down to as low as $11½ per share.

Early in 1957 new management took over the company. A decentralization program was put into effect; old canning lines were moved to new locations; old plants were closed and the property sold; the proceeds used to build new plants and modernize; a hard-working enthusiastic organization was created. The result was increased efficiency, and much lower cost operations. From 1956 to the end of 1960 sales increased only slightly, to $121 million, but net income increased to $3.4 million or $3.15 per common share, and the stock sold as high as $45.

In the intervening years, inventory was cut from $33 million, to less than $20 million, selling and administrative expenses were reduced from $13.5 million to $9.5 million per annum; the number of hourly and salaried employees was reduced; investment in new plant and equipment amounted to over $26 million for the period; and book value per common share increased from $31.40 in 1956 to $54.00 at the close of 1960. Even more indicative of what the new Crown Cork management accomplished is the increase in price of the common stock which has now advanced to over $100 per share. No dividends have been paid since the new management took over, but with earnings expected to be over $4.00 in the current year, resumption of dividend payments should not be far off. In the opinion of the management the future of the company is as bright today as it was when they went in 3½ years ago. All this has been accomplished in an industry that is considered anything but glamorous and is highly competitive—an industry in which two companies do 70% of the business.

Probably a better known example of what good management can accomplish is Philadelphia & Reading Corporation. When the present team took over in January 1956, the corporation's business prior to that time had been exclusively in anthracite coal. With a new investment oriented management, a program of acquisition and development of large manufacturing enterprises, holding promise of better than average growth, was put into effect. Today Philadelphia & Reading is a holding company with interest in many fields and the anthracite business, which was down to less than 20% of consolidated sales in 1960, has been entirely disposed of this year. Earnings have gone from deficit operations in 1955 to very substantial profits in 1960, and there is no need to discuss the price appreciation of the stock over the intervening years.

There are many other instances of what really good aggressive management can accomplish. It is not enough, today, for the investor merely to own the stocks of the major companies in the most important industries in order to share in the growth of the economy. It has been said that the population growth of the U.S. and the resultant increased demands for goods would bail out any investment in solid companies over a period of time.

This is extremely fallacious thinking, and it can prove to be very expensive as can be shown by numerous examples.

It is important for the intelligent investor to seek out those companies that have hard-headed ambitious aggressive managements, and they are not limited merely to the glamorous growth stocks. The success of these progressive managements is eventually reflected in the advance in the market price of their equity issue, but patience is needed for the results to show. The benefits of new managements are not obtainable overnight, for it frequently takes years to rebuild the management in depth; to develop a good second team and inject the drive and imagination that will eventually pay off. Now, as at any time in the market, there are stocks that fall into this category.

E. Victor Margand

(*Mr. Greene is on vacation*)